

**LODI CITY COUNCIL
SPECIAL CITY COUNCIL MEETING
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JANUARY 30, 2001**

A. ROLL CALL

The Special City Council meeting of January 30, 2001 was called to order by Mayor Nakanishi at 7:02 a.m.

Present: Council Members – Hitchcock, Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

City Clerk Blackston reviewed the Mayor's and Council Member's Weekly Calendar (filed).

City Manager Flynn reported that a special closed session meeting has been scheduled for January 31, 2001 at 6:00 p.m. to discuss information from Pacific Care, the City's health care broker.

Council Member Pennino commended the City Manager for his excellent presentation last Friday to City employees regarding their health insurance coverage.

B. REGULAR CALENDAR

- B-1 "Adopt resolution authorizing the Northern California Power Agency (NCPA) General Manager to enter into multi-year electric power purchase and sale contracts on behalf of the City of Lodi"

Electric Utility Director Vallow explained that, until last summer, a period of three months was considered a long-term energy contract. In the current market there is merit in contracting for much longer periods of time. He stated that last week two power marketers offered 10-year deals to NCPA, but participating cities did not have authorization to enter into the contracts. The life span of bilateral contracts is between 15 to 45 minutes. Yesterday, natural gas for a one-year forward contract was selling for about \$14 a million British Thermal Units (BTU); a two-year forward purchase contract was selling at approximately \$8; and a five-year contract was approximately \$5.20. Mr. Vallow stated that when these opportunities surface Electric Utility needs to take advantage of them immediately. The resolution being presented to Council today will give the authorization to do so. Mr. Vallow pointed out that the draft resolution needs to be corrected to replace the word "power" with "energy". He explained that power implies electricity only, where energy implies either electricity or gas.

Mr. Vallow reported that Electric Utility is currently working with Enron on a multi-year power purchase contract.

In answer to questions by Council Member Land, Mr. Vallow reported that Lodi's cost of generation is now approximately 8.5 to 9 cents a kilowatt hour. Electric Utility is looking at 3, 7, and 10-year contracts. They spot market for 20-25% of the total usage. Electric Utility's goal is to fit resources under their projected cash flow for the next 10 years. Their long-term objectives are to be competitive and ward off upward pressures on prices.

In reply to questions by Mayor Nakanishi, Mr. Vallow stated that he is not allowing for any spot market exposure for the next 24 to 36 months because the energy markets are too volatile. He explained that on a 7-year contract the surplus is immediately sold to another power marketer.

In response to Council Member Hitchcock, Mr. Vallow stated that previously he had forecasted that California's energy crisis may improve in three years, but due to recent actions by the state legislature, he suspects that it will now be five years. He stated that Electric Utility's long-term financial plan has increased 8-10%. Mr. Vallow projected that even in a worse case scenario Electric Utility will maintain a 15-25% competitive advantage. In the next one to two years he expects a 10% power purchase premium and a possible return to baseline in three years. He reported that Electric Utility is 4% ahead on sales and could possibly outgrow the problem.

MOTION / VOTE:

The City Council, on motion of Council Member Land, Hitchcock second, unanimously adopted Resolution No. 2001-14 authorizing the Northern California Power Agency (NCPA) General Manager to enter into multi-year electric energy purchase and sale contracts on behalf of the City of Lodi.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. CLOSED SESSION

Mayor Nakanishi adjourned the City Council meeting at 7:35 a.m. to a Closed Session to discuss the following matter:

L-1 Review of Council Appointees – City Manager, City Attorney, and City Clerk – to include compensation evaluation (Gov. Code 54957)

E. RETURN TO OPEN SESSION / DISCLOSURE OF ACTION

The City Council meeting reconvened at 8:14 a.m., and City Attorney Hays announced that there were no reportable actions taken in closed session.

F. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:15 a.m.

ATTEST:

Susan J. Blackston
City Clerk